

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2016-17		FY 2017-18	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		(\$6,760,000)		(\$9,737,000)
CASH FUNDS		\$121,700,500		\$121,761,000
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS		\$114,940,500		\$112,024,000

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 1013 amends several sections of Nebraska statutes to increase the cigarette tax, increase the tax on tobacco products other than snuff, increase the tangible personal property tax exemption, states intent to appropriate to certain funds, and eliminates a restriction on the funding of additional programs from the Nebraska Health Care Cash Fund.

The bill increases the special privilege tax on cigarettes from the current \$0.64 per package to \$2.14 per package.

The bill would also increase the tax on tobacco products other than snuff from the current 20% of the wholesale price to 31% of the wholesale price.

LB 1013 also increases the exemption from taxation amount for tangible personal property from the current \$10,000 to \$25,000.

The bill proposes to appropriate a total of \$31,250,000 each fiscal year beginning in FY2016-17 to the Nebraska Health Care Cash Fund (an increase of \$30,000,000) with the following entities or programs receiving new or additional funds:

- \$4,000,000 annually to the Board of Regents for UNMC to be used to educate and train public health professionals, and develop a shared public health data network and evaluation center;
- \$1,000,000 annually to the Board of Regents for UNMC to be used by the Behavioral Health Education Center;
- \$1,000,000 annually to the Board of Regents for UNMC to be used by Area Health Education Centers;
- \$10,000,000 annually to the Department of Health & Human Services for the biomedical research program for purposes of research on cancer and smoking-related illness;
- \$1,000,000 annually to the Tobacco Prevention and Control Program;
- \$3,000,000 annually to the Department of Health & Human Services for the public health aid program to be distributed to federally qualified health centers;
- \$6,000,000 annually to the County Public Health Aid Program for distribution to local public health departments;
- \$1,500,000 annually to the Department of Health & Human Services for the health aid program to provide for training and recruitment of emergency medical services personnel and firefighters;
- \$2,000,000 annually to the Department of Health & Human Services for rate increases for behavioral health providers;
- \$500,000 annually to the Department of Health & Human Services for transformation of the provision of health care pursuant to LB 549 (2016).

NOTE: LB 549 was introduced in 2015 and has not been advanced from the Health and Human Services Committee to General File.

LB 1013 also proposes that \$45,000,000 of cigarette tax revenue be placed into the Property Tax Credit Cash Fund and \$45,000,000 of cigarette tax revenue be placed into the General Fund for the purpose of funding the Personal Property Tax Relief Act. Both would be on an annual basis.

FISCAL IMPACT:

The Legislative Fiscal Office estimate of fiscal impact and the Department of Revenue estimate of fiscal impact are sufficiently different that, for clarity's sake, they will be presented in the following tables side-by-side with the resultant fiscal impact being the average of the two. The primary reason for the difference in the estimate of fiscal impact is a difference in the basic assumptions regarding cigarette consumption.

Table One: Revenue Impact of Cigarette Tax and Tobacco Products Tax Changes in LB 1013:

	LFO:	Revenue:	Average:	LFO:	Revenue:	Average:
Fiscal Year:	General Fund:	General Fund:	General Fund:	Health Care Cash Fund:	Health Care Cash Fund:	Health Care Cash Fund:
2016-17:	(\$ 7,800,000)	(\$16,827,000)	(\$12,313,500)	\$30,000,000	\$30,000,000	\$30,000,000
2017-18:	(\$ 9,750,000)	(\$20,499,000)	(\$15,124,500)	\$30,000,000	\$30,000,000	\$30,000,000
2018-19:	(\$12,200,000)	(\$24,211,000)	(\$18,205,500)	\$30,000,000	\$30,000,000	\$30,000,000

Table One (continued):

	LFO:	Revenue:	Average:	LFO:	Revenue:	Average:
Fiscal Year:	Tobacco Products Administration Cash Fund:	Tobacco Products Administration Cash Fund:	Tobacco Products Administration Cash Fund:	Property Tax Credit Cash Fund:	Property Tax Credit Cash Fund:	Property Tax Credit Cash Fund:
2016-17:	\$ 1,385,000	\$ 1,454,000	\$ 1,420,000	\$ 45,000,000	\$ 45,000,000	\$ 45,000,000
2017-18:	\$ 1,440,000	\$ 1,526,000	\$ 1,483,000	\$45,000,000	\$ 45,000,000	\$ 45,000,000
2018-19:	\$ 1,498,000	\$ 1,603,000	\$ 1,550,500	\$ 45,000,000	\$ 45,000,000	\$ 45,000,000

Table One (continued):

	LFO:	Revenue:	Average:	LFO:	Revenue:	Average:
Fiscal Year:	General Fund for Personal Property Tax Credit Act:	General Fund for Personal Property Tax Credit Act:	General Fund for Personal Property Tax Credit Act:	Total:	Total:	Total:
2016-17:	\$ 45,000,000	\$ 45,000,000	\$ 45,000,000	\$ 113,585,000	\$ 104,627,000	\$ 109,106,000
2017-18:	\$ 45,000,000	\$ 45,000,000	\$ 45,000,000	\$ 111,590,000	\$ 101,027,000	\$ 106,308,500
2018-19:	\$ 45,000,000	\$ 45,000,000	\$ 45,000,000	\$ 109,298,000	\$ 97,392,000	\$ 103,345,000

Table Two: Revenue Impact of Sales Tax Collections:

	LFO:	Revenue:	Average:	LFO:	Revenue:	Average:
Fiscal Year:	General Fund:	General Fund:	General Fund:	State Highway Capital Improvement Fund:	State Highway Capital Improvement Fund:	State Highway Capital Improvement Fund:
2016-17:	\$ 5,916,000	\$ 5,191,000	\$ 5,553,500	\$ 239,000	\$ 210,000	\$ 224,500
2017-18:	\$ 5,739,000	\$ 5,035,000	\$ 5,387,000	\$ 231,000	\$ 204,000	\$ 217,500
2018-19:	\$ 5,567,000	\$ 4,877,000	\$ 5,222,000	\$ 224,000	\$ 197,000	\$ 210,500

Table Two (continued):

	LFO:	Revenue:	Average:	LFO:	Revenue:	Average:
Fiscal Year:	Highway Allocation Fund: (Local)	Highway Allocation Fund: (Local)	Highway Allocation Fund: (Local)	Total:	Total:	Total:
2016-17:	\$ 43,000	\$ 37,000	\$ 40,000	\$ 6,198,000	\$ 5,438,000	\$ 5,818,000
2017-18:	\$ 41,000	\$ 36,000	\$ 38,500	\$ 6,011,000	\$ 5,275,000	\$ 5,643,000
2018-19:	\$ 39,500	\$ 35,000	\$ 37,250	\$ 5,830,000	\$ 5,109,000	\$ 5,469,750

Table Three: Total Revenue Impact Associated with the General Fund, Cash Funds, and Other Funds:

	LFO:	Revenue:	Average:	LFO:	Revenue:	Average:
Fiscal Year:	General Fund:	General Fund:	General Fund:	Cash Funds:	Cash Funds:	Cash Funds:
2016-17:	(\$ 1,884,000)	(\$ 11,636,000)	(\$ 6,760,000)	\$ 121,624,000	\$ 121,664,000	\$ 121,644,000
2017-18:	(\$ 4,011,000)	(\$ 15,464,000)	(\$ 9,737,000)	\$ 121,671,000	\$ 121,730,000	\$ 121,700,500
2018-19:	(\$ 6,633,000)	(\$ 19,334,000)	(\$ 12,983,500)	\$ 121,722,000	\$ 121,800,000	\$ 121,761,000

Table Three (continued):

Fiscal Year:	LFO:	Revenue:	Average:	LFO:	Revenue:	Average:
	Other Funds:	Other Funds:	Other Funds:	Total:	Total:	Total:
2016-17:	\$ 43,000	\$ 37,000	\$ 40,000	\$ 119,783,000	\$ 110,065,000	\$ 114,924,000
2017-18:	\$ 41,000	\$ 36,000	\$ 38,500	\$ 117,701,000	\$ 106,302,000	\$ 112,001,500
2018-19:	\$ 39,500	\$ 35,000	\$ 37,250	\$ 115,128,500	\$ 102,501,000	\$ 108,814,750

The Department of Revenue has indicated that the cost to implement the provisions of LB 1013 will be minimal.

We have no basis to disagree with the Department on the cost to implement LB 1013.

IMPACT TO POLITICAL SUBDIVISIONS:

We estimate the following fiscal impact to the Highway Allocation Fund as a result of the provisions of LB 1013:

FY2016-17:	\$ 40,000
FY2017-18:	\$ 38,500
FY2018-19:	\$ 37,250

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 1013	AM:	AGENCY/POLT. SUB: Dept. of Revenue	
REVIEWED BY: Lyn Heaton		DATE: 2/10/2016	PHONE: 471-4181
COMMENTS: No basis upon which to disagree with the Department of Revenue's analysis. It is reasonable to estimate that this level of increase of the cigarette tax will have an impact on consumption.			

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 1013	AM:	AGENCY/POLT. SUB: University of Nebraska	
REVIEWED BY: Lyn Heaton		DATE: 2/8/2016	PHONE: 471-4181
COMMENTS: The University of Nebraska appears to have used the percentage they receive of the current Health Care Cash Fund funding provided through the biomedical research program as the basis for their estimate of the amount they would receive of the increased cigarette tax dollars dedicated to biomedical research. This is not provided in LB 1013 and the bill would likely require clarification in terms of the intended distribution but it is a reasonable assumption.			

State Agency Estimate

State Agency Name: Department of Revenue		Date Due LFA: 2/9/2016			
Approved by: Tony Fulton		Date Prepared: 2/3/2016			
		Phone: 471-5896			
FY 2016-2017		FY 2017-2018		FY 2018-2019	
Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds	(\$11,636,000)		(\$15,464,000)		(\$19,334,000)
Cash Funds	\$121,664,000		\$121,730,000		\$121,800,000
Federal Funds					
Other Funds	\$37,000		\$36,000		\$35,000
Total Funds	\$110,065,000		\$106,302,000		\$102,501,000

LB 1013 would amend Neb. Rev. Stat. § 77-2602(1) to increase the cigarette tax amount to \$2.14 per package from the current \$0.64 per package. It would also increase the excise tax on tobacco products other than snuff from 20% of the wholesale price to 31% of the wholesale price.

Beginning July 1, 2016, the bill proposes to have \$45 million of the cigarette tax revenue placed into the Property Tax Credit Cash Fund and, annually thereafter, would place \$45 million of such tax in the General Fund for purposes of the Personal Property Tax Relief Act.

The bill would also amend Neb. Rev. Stat. § 77-2602(3)(i) to use funds generated by the cigarette tax increase to increase transfers into the Nebraska Health Care Cash Fund from the current \$1,250,000 to \$31,250,000 annually.

The bill eliminates a cap on the amounts that may be appropriated or transferred from the Nebraska Health Care Cash Fund as well as a ban on funding of additional programs. It would amend Neb. Rev. Stat. § 71-7611 to specify the appropriation and use of the increased Nebraska Health Care Cash Funds.

LB 1013 would also amend Neb. Rev. Stat. § 71-1238(1) to increase the exemption from taxation amount from \$10,000 to \$25,000 of valuation of a taxpayer’s tangible personal property.

The Department estimates the following revenue impact associated with cigarette tax and tobacco products tax changes in LB 1013:

Fiscal year	General Fund	Nebraska Health Care Cash Fund	Tobacco Products Administration Cash Fund	Property Tax Credit Cash Fund	General Fund for purposes of Personal Property Tax Credit Act	Total
2016-17	(\$16,827,000)	\$30,000,000	\$1,454,000	\$45,000,000	\$45,000,000	\$104,627,000
2017-18	(\$20,499,000)	\$30,000,000	\$1,526,000	\$45,000,000	\$45,000,000	\$101,027,000
2018-19	(\$24,211,000)	\$30,000,000	\$1,603,000	\$45,000,000	\$45,000,000	\$ 97,392,000

The Department estimates the following revenue impact associated with sales tax collections on higher-priced cigarette products:

Fiscal year	General Fund	State Highway Capital Improvement Fund	Highway Allocation Fund	Total
2016-17	\$5,191,000	\$210,000	\$37,000	\$5,438,000
2017-18	\$5,035,000	\$204,000	\$36,000	\$5,275,000
2018-19	\$4,877,000	\$197,000	\$35,000	\$5,109,000

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2016

LB⁽¹⁾ 1013

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ University of Nebraska

Prepared by: ⁽³⁾ Michael Justus Date Prepared: ⁽⁴⁾ February 1, 2016 Phone: ⁽⁵⁾ 402-472-2191

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2016-17</u>		<u>FY 2017-18</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS				
CASH FUNDS	13,300,000	13,300,000	13,300,000	13,300,000
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	<u>13,300,000</u>	<u>13,300,000</u>	<u>13,300,000</u>	<u>13,300,000</u>

Explanation of Estimate:

The bill provides for an increase in the cigarette tax with certain distributions to the University. The total includes an estimated \$7.3 million awarded to the University from the Nebraska Tobacco Settlement Biomedical Research Development Funding.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2016-17</u>	<u>2017-18</u>
	<u>16-17</u>	<u>17-18</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Various	29.5	29.5	1,939,776	1,939,776
Benefits.....			502,288	502,288
Operating.....			10,752,936	10,752,936
Travel.....			85,000	85,000
Capital outlay.....			20,000	20,000
Aid.....				
Capital improvements.....				
TOTAL.....			<u>13,300,000</u>	<u>13,300,000</u>